



ECONOMIC INDICATORS

CITY OF NORFOLK OFFICE OF BUDGET AND GRANTS MANAGEMENT

Last Update: April 30, 2013

IN THIS ISSUE.....

- Norfolk's unemployment rate in February stood at 7.2 percent (not seasonally adjusted), which was below the previous month and previous year's rate of 8.0 percent. The year-over-year decline in February however, reflected a decline in the labor force rather than an increase in the number of employed residents. (See page 1)
- Virginia nonfarm employment (not seasonally adjusted) rose in March by 34,000 jobs or 0.92 percent from the same period last year, the 35th consecutive month of year-over-year increase. (See page 2)
- Hampton Roads nonfarm employment (not seasonally adjusted) rose 1.70 percent (or 12,500 jobs) in March from the same period last year. Regional employment grew year-over-year for 26 consecutive months since February 2011. (See page 2)
- From January to March 2013, the average sales price of homes sold in Hampton Roads were up 7.2 percent from the same period last year. (See page 3)
- In Norfolk, the average price of homes sold also increased year-to-date through March by 17.1 percent. The average sales price of existing and new homes both rose by 15.2 percent and 9.1 percent, respectively. (See page 3)
- The number of housing units in Norfolk authorized by building permits in March was up by 180 units, mainly due to housing units permitted in multi-family structures. (See page 4)
- Fiscal year-to-date through February, Norfolk sales taxes fell 2.7 percent (or \$524,800). However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, sales taxes are up 1.9 percent (or \$365,800). (See page 5)
- Real GDP increased at an annual rate of 2.5 percent (first estimate) in first quarter of 2013, which is above the 0.4 percent growth in the fourth quarter of 2012. (See page 6)

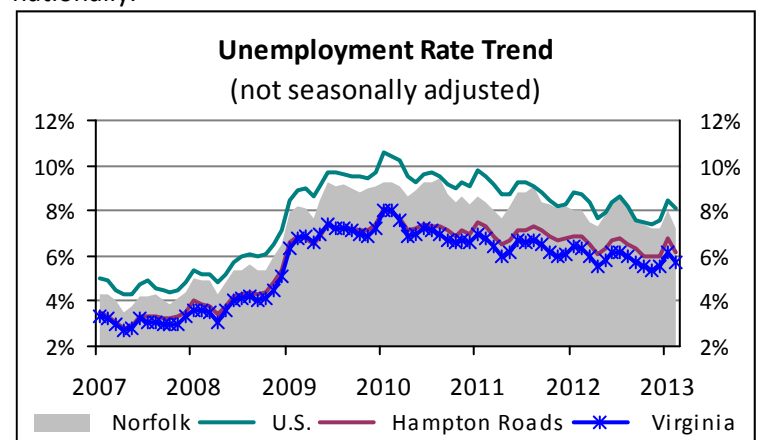
Residential Employment

Hampton Roads and State Unemployment Rate (not seasonally adjusted)

	February 2013*	January 2013	February 2012	10-Year Average
Norfolk	7.2%	8.0%	8.0%	6.1%
Chesapeake	5.7%	6.0%	6.3%	4.5%
Hampton	7.1%	7.9%	7.9%	5.6%
Newport News	7.1%	7.7%	7.6%	5.4%
Portsmouth	7.3%	7.9%	8.6%	6.2%
Suffolk	6.2%	6.6%	7.0%	5.0%
Virginia Beach	5.4%	5.8%	6.0%	4.2%
Hampton Roads	6.2%	6.8%	6.9%	4.9%
Virginia	5.7%	6.2%	6.3%	4.6%

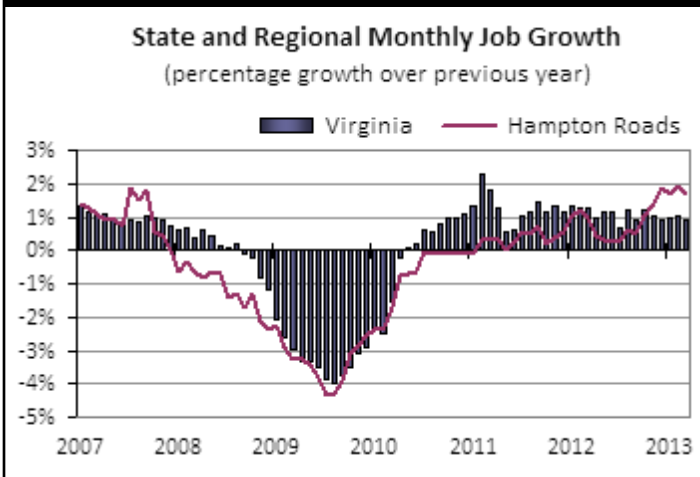
The Virginia Employment Commission (VEC) reported that Norfolk's not seasonally adjusted unemployment rate in February fell to 7.2 percent from a revised 8.0 percent last month (January 2013) and 8.0 percent last year (January 2012). The unemployment rate has been declining year-over-year in every month since September 2010, except January 2013, when the unemployment rate was unchanged from the previous year. The year-over-year decline in February however, reflected a decline in the labor force rather than an increase in the number of employed residents. Norfolk's unemployment rate remained below the national rate of 8.1 percent (not seasonally adjusted).

The unemployment rate fell year-over-year in the major cities in the region, as well as statewide, with the decline ranging from 0.5 to 1.3 percentage points. Virginia's unemployment rate (not seasonally adjusted) was the 10th lowest rate nationally.



Source: Virginia Employment Commission and U.S. Bureau of Labor Statistics.
* Preliminary figures, subject to revision in the following month.

State and Regional Job Growth



Nonfarm employment statewide continued to increase year-over-year in March. The Virginia Employment Commission (VEC) reported nonfarm employment statewide rose 0.92 percent (or 34,000 jobs) to 3,731,700 (not seasonally adjusted) from the same period last year (March 2012). This was the 35th consecutive month of year-over-year job growth statewide (since May 2010).

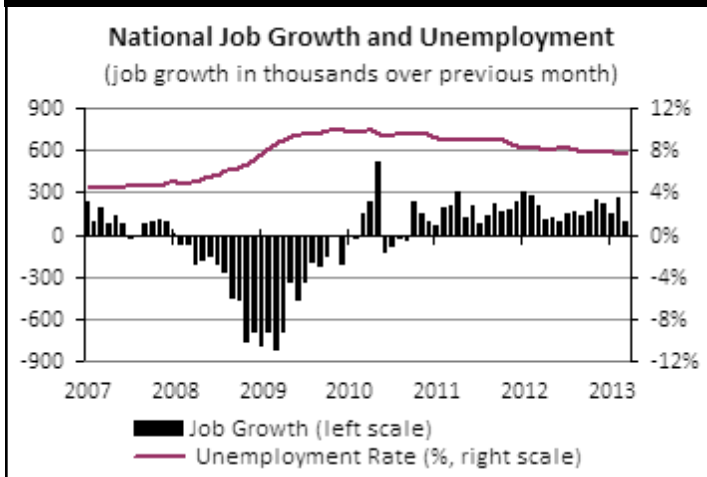
In Hampton Roads, nonfarm employment also continued to grow year-over-year, rising by 1.70 percent (or 12,500 jobs) to 747,700 (not seasonally adjusted). With the annual revision released last month, regional employment grew year-over-year for 26 consecutive months since February 2011. Employment also increased year-over-year in all other Virginia metropolitan statistical areas (MSAs), except Charlottesville MSA. The table below provides an overview of year-over-year job growth for key sectors in the state and region.

March Job Change in Major Sectors

(not seasonally adjusted¹; job changes are from previous year)

Sector	Hampton Roads ²	Virginia ²
Construction	3,700	1,400
Manufacturing	2,200	2,100
Trade (Retail and Wholesale)	-1,500	-1,900
Transportation and Utilities	100	900
Information	-300	-1,800
Financial Activities	1,700	7,800
Professional and Business Services	800	2,100
Educational and Health Services	2,700	14,000
Leisure and Hospitality	400	5,300
Government	2,600	5,400
Federal Government	800	2,600
State Government	800	1,700
Local Government	1,000	1,100

National Job Growth



The Bureau of Labor Statistics (BLS) reported nonfarm payroll employment (seasonally adjusted) rose by 88,000 jobs in March, after increasing by 268,000 jobs (revised) in February. Through March, the economy added 504,000 jobs (about 168,000 jobs per month), which was below the revised 787,000 jobs added during the same period in 2012. Since February 2010 when employment was at its lowest, the economy added nearly 5.9 million jobs, which was about two-thirds of the 8.7 million jobs (revised) lost from January 2008 to February 2010. Job gains have been mainly in the private sector, which added nearly 6.5 million jobs, while the public sector shed 605,000 jobs. In March, the seasonally adjusted unemployment rate fell slightly to 7.6 percent from 7.7 percent.

National Job Growth by Sector

(seasonally adjusted; Feb./Mar. growth are from previous month)

	Feb. 2013 ³	Mar. 2013 ²	CY 2013 YTD ²
Mining & Logging	5,000	1,000	9,000
Construction	49,000	18,000	91,000
Manufacturing	19,000	-3,000	30,000
Trade/Transportation/Utilities	19,000	-27,000	6,000
Information	19,000	5,000	28,000
Finance	8,000	-2,000	13,000
Professional/Business Services	80,000	51,000	177,000
Educational/Health Services	31,000	44,000	90,000
Leisure and Hospitality	26,000	17,000	74,000
Other Services	-2,000	-9,000	-5,000
Government	14,000	-7,000	-9,000
Federal Government	2,000	-14,000	-17,000
State Government	13,000	9,000	10,000
Local Government	-1,000	-2,000	-2,000
Total Job Growth	268,000	88,000	504,000

Source: U.S Bureau of Labor Statistics (BLS) and Virginia Employment Commission (VEC). ¹ Regional data are reported and available only on a not seasonally adjusted basis, the same basis reported in the BLS *Metropolitan Area Employment and Unemployment* report. State data are also reported on a not seasonally adjusted basis for comparison purposes. ² Preliminary. ³ Revised.

Regional Housing Market

Jan. - Mar. Home Sales	Housing Units Sold		Average Days on Market	
	2012	2013	2012	2013
Hampton Roads	3,939	4,361	106	99
Norfolk	553	544	99	103
Chesapeake	615	708	94	83
Hampton	278	292	120	103
Newport News	323	382	106	112
Portsmouth	255	250	102	103
Suffolk	202	273	118	96
Virginia Beach	1,114	1,209	97	87

Average Residential Sales Price: January - March			
Area	2013	2012	% Change
Hampton Roads	\$221,156	\$206,340	7.2%
Norfolk	\$187,018	\$159,641	17.1%
Chesapeake	\$231,156	\$222,205	4.0%
Hampton	\$142,228	\$150,611	-5.6%
Newport News	\$160,455	\$146,084	9.8%
Portsmouth	\$113,854	\$123,724	-8.0%
Suffolk	\$213,684	\$206,963	3.2%
Virginia Beach	\$272,272	\$253,264	7.5%

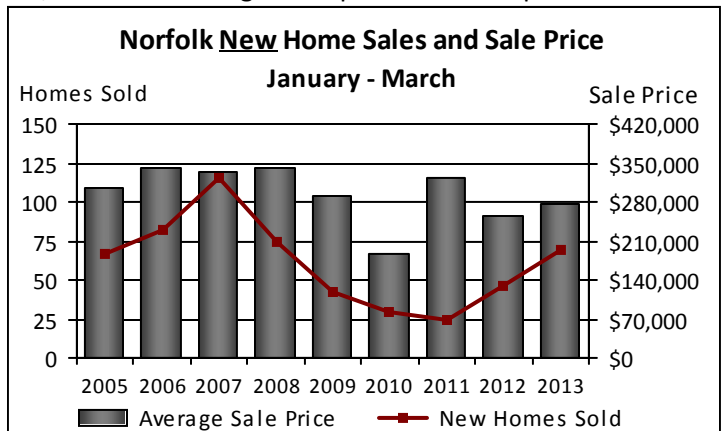
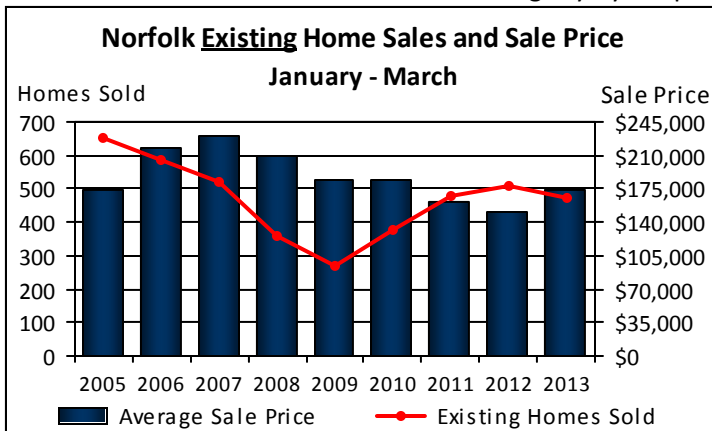
The Real Estate Information Network (REIN) reported that the average sales price of homes sold in Hampton Roads through March rose 7.2 percent from \$206,340 to \$221,156 last year. Among the seven major cities in the region, only Hampton and Portsmouth saw a decline in the average sales price of homes year-to-date through March, while Norfolk had the largest increase (17.1 percent, from \$159,641 to \$187,018). However, it is important to note that in comparison all of 2012, the average sales price of homes sold in the region was \$225,235 and in Norfolk, it was \$182,224. The average sales price through the first three months of the year was much lower compared to all of last year reflected in part, the impact of distressed homes on the market. The sales price increase this year also reflected the a decrease in the inventory of homes for sale from 7.57 months' supply last year to 6.38 months' supply this year. REIN indicated "a healthy real estate market typically maintains a 5 to 6 months' supply."

The number of homes sold in the region were up 10.7 percent year-to-date, from 3,939 homes last year to 4,361 homes this year. Only Norfolk and Portsmouth saw a decline among the seven major cities. Home sales are likely to continue to rise in the region in the short term with REIN reporting a 12.84 percent increase year-over-year in homes under contract (or pending sales) in March. Among the major cities in the region, only Hampton and Chesapeake did not see an increase.

Norfolk Housing Market

Year-to-date through March, existing home sales in Norfolk declined 6.3 percent (32 homes), from 507 homes sold last year to 475 homes sold this year. However, the average sales price of existing homes sold year-to-date was up 15.2 percent, from \$151,200 to \$174,100. The increase in the average sales price reflected the decline in sales of existing detached homes priced under \$200,000 and a slight increase in homes priced over \$200,000.

New home sales increased by 23 homes (or 50 percent), from 46 homes sold last year to 69 homes sold this year, while the average sales price of new homes sold rose 9.1 percent, from \$253,100 to \$276,100. The increase in the average sales price reflected an increase in homes priced in the \$200,000 range. Overall, existing and new homes combined, the number of homes sold in Norfolk fell slightly by 1.6 percent, while the average sales price rose 17.2 percent.



Source: Real Estate Information Network (REIN)

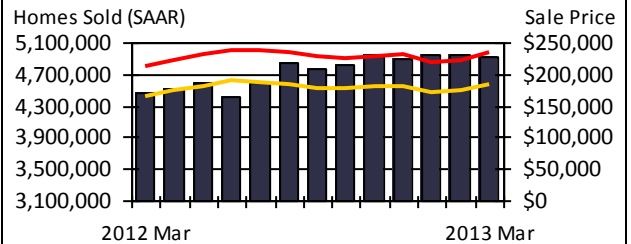
National Housing Market

Existing home sales nationally edged down in March by 0.6 percent from last month (February 2013) but was up 10.3 percent from last year (March 2012) to a seasonally adjusted annual rate (SAAR) of 4.92 million. The National Association of Realtors (NAR) indicated existing home sales have been up year-over-year for 21 consecutive months. However, new home sales nationwide rose above last month (1.5 percent) and last year (18.5 percent) to 417,000 (SAAR).

The average sales price of existing and new homes both rose in March from last year by 9.9 and 3.0 percent to \$233,200 and \$279,900, respectively. This was the 13th consecutive month of year-over-year increase in existing homes' average sales price. NAR indicated housing inventories have trended much lower, which is continuing to pressure home prices...home construction is rising and low mortgage rates are continuing to keep affordability conditions at historically favorable levels." However, "underwriting standards remain excessively tight."

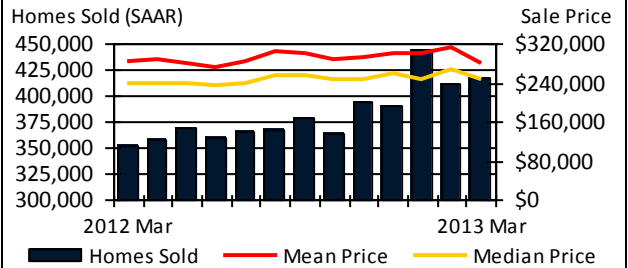
Existing Home Sales and Sale Price

March 2012 - March 2013



New Home Sales and Sale Price

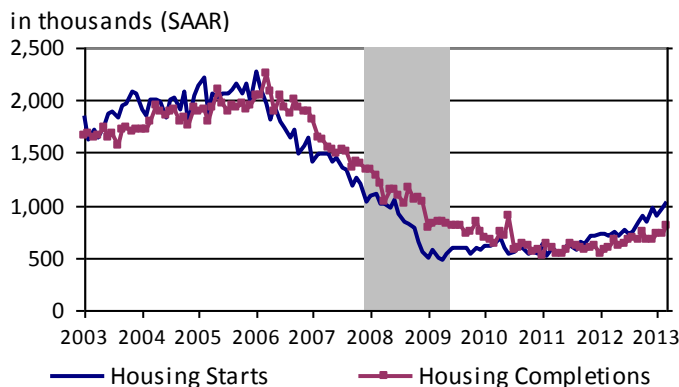
March 2012 - March 2013



National New Residential Construction

National Housing Starts and Completions

(through March 2013)



Housing starts in March rose 7.0 percent from the previous month (February 2013) and 46.7 percent from the previous year (March 2012) to a seasonally adjusted annual rate (SAAR) of 1.036 million—the fastest pace since June 2008. The monthly increase was mainly due to multi-family housing starts, while both single-family and multi-family housing starts increased from the previous year.

Housing completions also rose 11 percent from the previous month and 36.3 percent from the previous year to 800,000 (SAAR)—the fastest pace since June 2010. The monthly and year-over-year increase was seen in both single and multi-family housing completions.

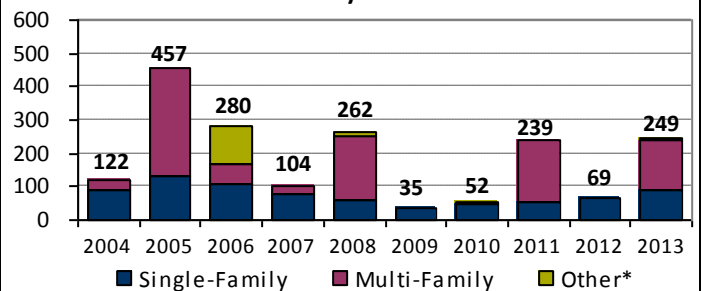
The Census Bureau defines the start of construction when excavation begins for the footings or foundation of a building. A house is defined as completed when all finished flooring has been installed or at the time of occupancy.

Norfolk Residential Building Permits

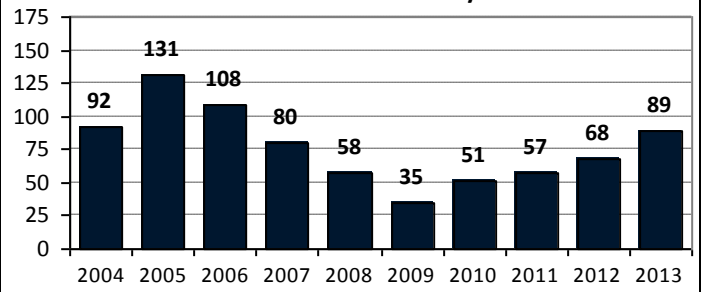
Through March, the number of housing units permitted in Norfolk continued to be above the same period last year. The increase of 180 housing units permitted year-to-date, from 69 last year to 249 this year, was mostly in multi-family structures (apartments at 416 Boush Street, 401 Granby Street, and Pointe East at East Ocean View), which also drove the volume of units permitted in prior years:

- 2011: Meadowood Apartments (180 units)
- 2008: Southwind Apartments (120 units)
- 2006: Harbor Heights condominiums (99 units)
- 2005: Bristol at Ghent apartments (268 units)

Number of Housing Units Permitted in Norfolk in January - March



Number of New Single Family Dwellings Permitted in Norfolk in January - March

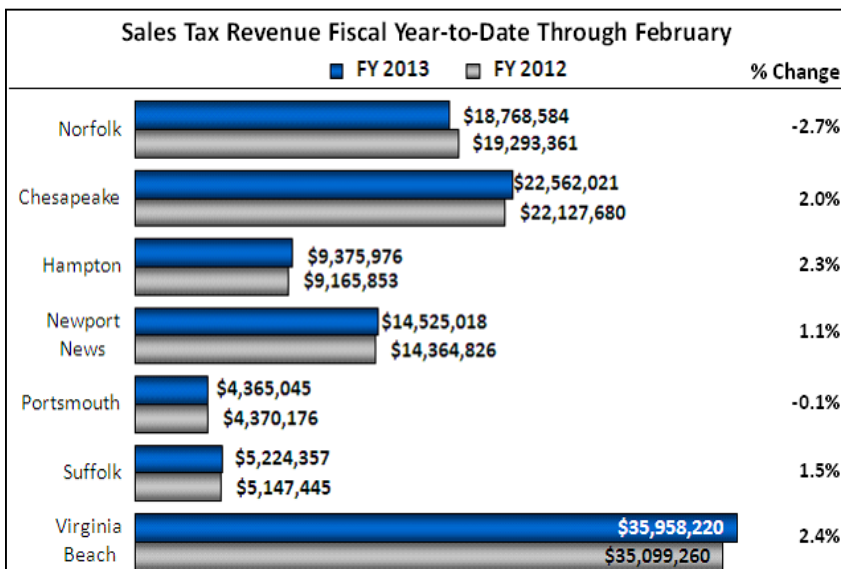


Source: National Association of Realtors, U.S. Census Bureau, and City of Norfolk Economic Development. * "Other" includes new units in mixed use structures, residential conversions, and accessory dwellings. Shaded area denotes recession.

Norfolk and Regional Sales Tax

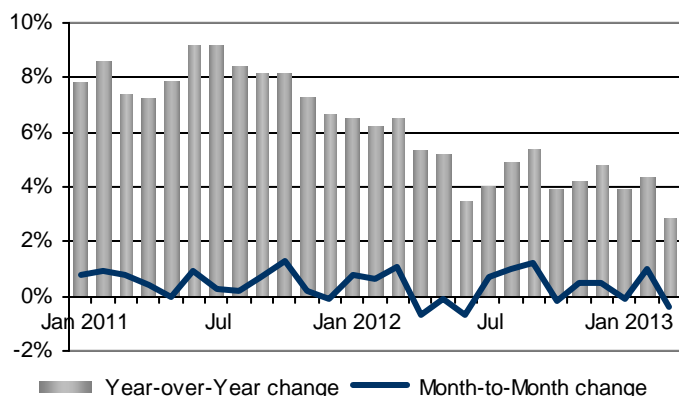
Norfolk sales tax collections in February totaled about \$2.2 million, which was below last year's collections by 6.5 percent (or about \$155,100). The other major cities in the region also saw a decline, except in Newport News where it increased by 0.1 percent. The decline among the major cities in the region ranged from 1.4 percent (Chesapeake) to 16.2 percent (Suffolk).

Fiscal year-to-date through February, Norfolk's sales tax collections totaled about \$18.8 million, which is down 2.7 percent (or about \$524,800) from the same period last year. However, adjusting for the correction of an overpayment by the Virginia Department of Taxation, Norfolk sales taxes are up year-to-date 1.9 percent (or \$365,800). All the other major cities in the region are seeing year-over-year growth fiscal year-to-date, except Portsmouth, where sales taxes are down 0.1 percent. The growth among the major cities in the region ranged from 1.1 percent (Newport News) to 2.4 percent (Virginia Beach).



National Retail and Food Service Sales

Percent Change in National Retail and Food Service Sales
(seasonally adjusted but not adjusted for price changes)



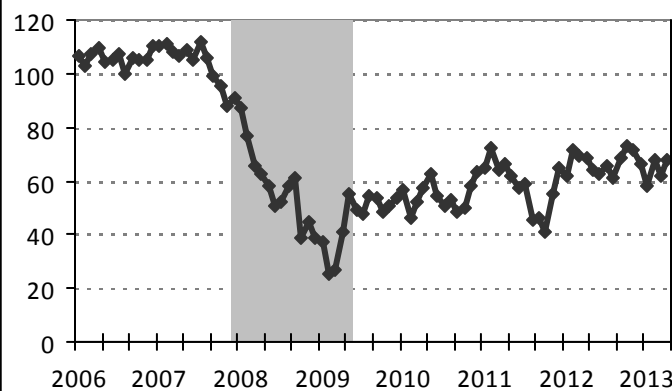
The U.S. Census Bureau reported national retail and food services sales fell in March by 0.4 percent (preliminary) from the previous month (February), after rising by 1.0 percent. The March decline was the largest since June 2010 and affected several sectors. Gas stations, general merchandise stores, and sales of motor vehicles saw the majority of the decline. Moreover, smaller decreases were seen in sales at: electronics and appliance stores; food and beverage stores; health and personal care stores; and sporting goods, hobby, book and music stores.

Compared to last year (March 2013), retail sales rose 2.8 percent, the smallest year-over-year increase since November 2009. The increase was mainly from sales by motor vehicle dealers, food and beverage stores, nonstore retailers, which includes online stores, restaurants and bars. Some economists have commented that the payroll tax increase that took effect this year could now be affecting consumer spending.

Source: Virginia Department of Taxation, U.S. Census Bureau, and Conference Board.

Consumer Confidence Index

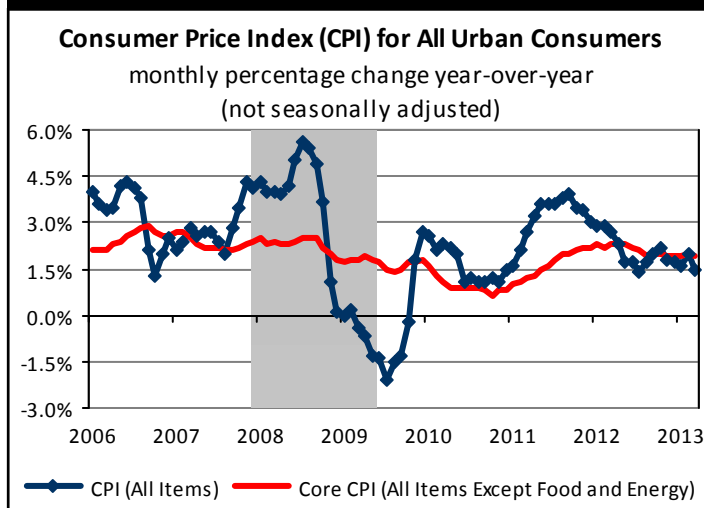
Consumer Confidence Index



The Conference Board reported consumer confidence edged back up in April to 68.1 after falling to 61.9 in March from 68.0 in February. Consumer appraisal of both current and future business conditions increased in April. Consumer appraisal of current business and employment conditions as measured by the Present Situation Index rose to 60.4 in April from 59.2 in March, while consumer appraisal of future business conditions, as measured by the Expectations Index, rose back to 73.3 from 63.7.

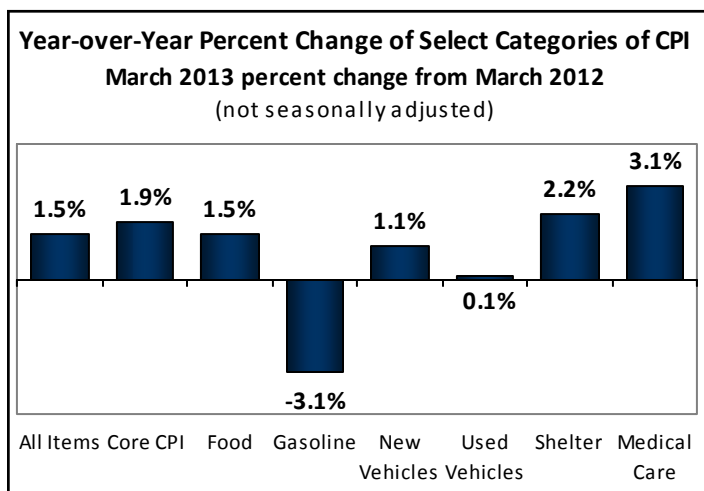
Lynn Franco, Director of Economic Indicators at The Conference Board indicated "Consumer Confidence improved in April, as consumers' expectations about the short-term economic outlook and their income prospects improved. However, consumers' confidence has been challenged several times over the past few months by such events as the fiscal cliff, the payroll tax hike and the sequester. Thus, while expectations appear to have bounced back, it is too soon to tell if confidence is actually on the mend."

Consumer Price Index



The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households. The Bureau of Labor Statistics reported that the CPI for all urban consumers decreased by 0.2 percent in March from February. BLS indicated that the decline was primarily due to the 4.4 percent decline in gasoline, after increasing 9.1 percent in February. Other components of the energy index (electricity and fuel oil) also fell bringing the overall decline in the energy index from February by 2.6 percent. The food index was unchanged in March, while the core CPI, which excludes food and energy, rose 0.1 percent, the smallest increase since December 2012.

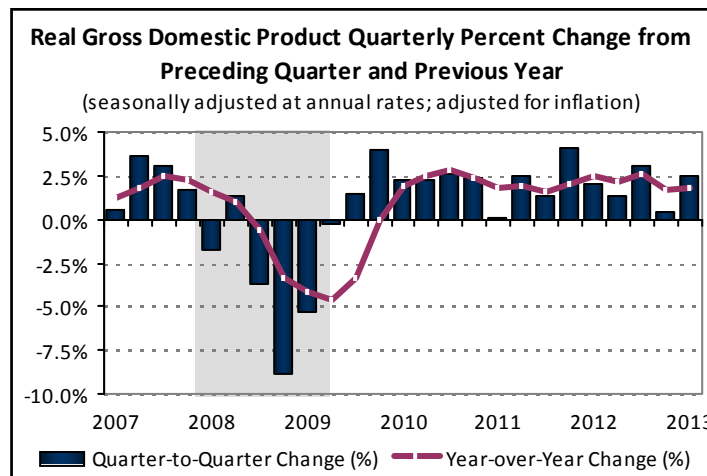
From the previous year, the CPI for all urban consumers rose by 1.5 percent before seasonal adjustment. BLS indicated this was the smallest year-over-year increase since July 2012. The food index rose year-over-year by 1.5 percent. The energy index declined by 1.6 percent, driven largely by the 3.1 percent decrease in gasoline. The core CPI, which excludes food and energy, also increased by 1.9 percent, with several components even rising at a faster rate such as, medical care and shelter.



Source: U.S Bureau of Economic Analysis and U.S Bureau of Labor Statistics. Shaded areas represents recession as determined by the National Bureau of Economic Research.

Real Gross Domestic Product (GDP)

Real GDP is the value of all goods and services produced within the U.S., adjusted for inflation, and is the broadest measure of economic activity. The Bureau of Economic Analysis (BEA) reported real GDP rose at an annual rate of 2.5 percent (first estimate) in the first quarter of 2013, greater than the 0.4 percent rate of growth in the previous quarter. However, BEA cautioned that the first estimate is based on source data that are incomplete or subject to further revision.



Real GDP accelerated in the first quarter mainly due to:

- **Consumer spending** rose 3.2 percent after increasing 1.8 percent in the previous quarter, largely due to spending on services, motor vehicles, and recreational goods and vehicles;
- **Business investment in inventory** rose by \$50.3 billion, compared to an increase of \$13.3 billion in the previous quarter;
- **Private residential investment** continued to rise (12.6 percent), adding 0.31 percentage points to real GDP growth; and
- **Government spending** fell at a lower annual rate of 4.1 percent compared to the previous quarter's annual rate of decline of 7.0 percent.

